

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name TRI-COUNTY AGING CONSORTIUM	County INGHAM
Audit Date 9/30/05	Opinion Date 1/27/06	Date Accountant Report Submitted to State: 3/21/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) ABRAHAM & GAFFNEY, PC			
Street Address 3511 COOLIDGE ROAD, SUITE 100	City EAST LANSING	State MI	ZIP 48823
Accountant Signature <i>Abraham & Gaffney, P.C. Aaron M. Jones</i>		Date 3/21/06	

**Tri-County Aging Consortium
Lansing, Michigan**

FINANCIAL STATEMENTS

September 30, 2005

Tri-County Aging Consortium

September 30, 2005

ADMINISTRATIVE BOARD

Virginia Zeeb	Chairperson
Leonard Peters	Vice-Chairperson
Joan Bauer	Board member
Harold Leeman	Board member
David Weiner	Board member
Debbie Miner	Board member
William Sharp	Board member
Jon Reynolds	Board member
Steve Dougan	Board member
Fritz Kellermann	Board member
Tina Weatherwax-Grant	Board member
Andy Schor	Board member
Mary Rademacher	Board member

ADMINISTRATION OFFICIALS

Marion Owen	Executive Director
Amy Colletti	Finance Director

Tri-County Aging Consortium

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September 30, 2005

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Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
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Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Tri-County Aging Consortium
Lansing, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Tri-County Aging Consortium, as of and for the year ended September 30, 2005, which collectively comprise the Consortium's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Consortium's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of the Tri-County Aging Consortium as of September 30, 2005, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 27, 2006, on our consideration of the Tri-County Aging Consortium's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Consortium's basic financial statements. The accompanying other supplementary information and Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

January 27, 2006

Tri-County Aging Consortium

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2005

As management of the Tri-County Aging Consortium, we offer our readers of the financial statements this narrative overview and analysis of the financial activities of Tri-County Aging Consortium for the fiscal year ended September 30, 2005.

Financial Highlights

This discussion and analysis is required by the Governmental Accounting Standards Board (GASB) Statement No. 34. The GASB is charged with developing "generally accepted accounting principles" (GAAP) for governmental entities and is the main standard-setting body for governmental GAAP.

As shown on the Tri-County Aging Consortium's Statement of Net Assets listed in the following pages, assets exceeded liabilities by \$2,291,578 at the end of the fiscal year, which represents a decrease from the prior year of \$170,686.

Overview of the Financial Statements

This discussion and analysis is intended to provide a basis of understanding Tri-County Aging Consortium's basic financial statements. These statements are made up of three components: (1) government-wide financial statements (2) fund financial statements, and (3) notes to the financial statements. Supplementary information is also provided for additional informational purposes.

To simplify financial reporting and improve readability, the government-wide financial statements and the fund statements have been combined to report the Statement of Net Assets and Governmental Funds Balance Sheet on a single page and the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances on a single page. The financial statements also contain required and other supplementary information in addition to the basic financial statements themselves.

Government-wide Statements

The Statement of Net Assets presents information on all of Tri-County Aging Consortium's (the "Consortium") assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as an indicator of the Consortium's overall financial position.

The Statement of Activities presents information showing how the Consortium's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in past or future fiscal periods (for instance, depreciation expense associated with capital assets).

The Statement of Activities reports the costs of the services that the Consortium provides which are principally supported by State and Federal grant revenues. The governmental activities of the Consortium include regional planning, coordination, contracting and direct provision of services for clients through various programs that promote and preserve the independence and dignity of the aging population.

The Government-wide Financial Statements include only the Consortium itself. The Consortium has no legally separate component units for which the Consortium is financially accountable. In this report, combined financial statements are provided for the Governmental Funds Balance Sheet and the Statement of Net Assets and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Statement of Activity. The General Fund, Grants Special Revenue Fund, and Capital Projects Fund are considered to be major funds for financial reporting purposes.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Consortium, like other units of state and local government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The activities of the Consortium are accounted for in governmental funds.

Tri-County Aging Consortium

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2005

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported in the government-wide financial statements. However, unlike the government-wide financial statements, Governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the Governmental Funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental fund with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between the governmental fund and the government-wide statements.

The Consortium adopts an annual appropriated budget for all of its funds. Budgetary comparison schedules have been provided for the required funds herein to demonstrate compliance with those budgets.

The Consortium does not maintain proprietary or fiduciary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the Consortium's financial statements. The notes to the financial statements can be found on pages 7 through 16 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to management discussion and analysis and budgetary comparison schedules, as listed in the Table of Contents.

In the table below is the required the reporting model as listed in the Governmental Accounting Standards Board Statement No. 34. Listed in the tables is prior-year and current year information in order to present comparative analysis of government-wide data.

	Year Ended 9/30/05	Year Ended 9/30/04
Condensed Statement of Net Assets:		
Current and other assets	\$ 2,955,943	\$ 3,229,298
Capital assets	<u>101,757</u>	<u>155,411</u>
Total assets	<u>3,057,700</u>	<u>3,384,709</u>
Long-term liabilities outstanding	71,765	44,860
Other liabilities	<u>694,357</u>	<u>877,585</u>
Total liabilities	<u>766,122</u>	<u>922,445</u>
Net Assets:		
Invested in capital assets	101,757	155,411
Restricted for other purposes	1,122,829	1,329,672
Unrestricted	<u>1,066,992</u>	<u>977,181</u>
Total net assets	<u>\$ 2,291,578</u>	<u>\$ 2,462,264</u>

Tri-County Aging Consortium

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2005

	Year Ended 9/30/05	Year Ended 9/30/04
Condensed Statement of Net Activities:		
Revenue		
Program Revenues	\$ 10,336,122	\$ 10,051,851
General Revenues	<u>280,543</u>	<u>261,291</u>
Total revenue	<u>10,616,665</u>	<u>10,313,142</u>
Expenses		
Health and Welfare	<u>10,787,351</u>	<u>10,382,233</u>
Change in Net Assets	<u>\$ (170,686)</u>	<u>\$ (69,091)</u>
Capital Assets and Debt Administration:		
Tri-County Aging Consortium Capital Assets		
Capital assets being depreciated:		
Leasehold improvements	\$ 142,677	\$ 142,677
Vehicles	128,164	128,164
Equipment	<u>282,345</u>	<u>282,345</u>
Sub-total	<u>553,186</u>	<u>553,186</u>
Accumulated Depreciation		
Leasehold improvements	104,630	95,118
Vehicles	88,520	72,612
Equipment	<u>258,279</u>	<u>230,045</u>
Total Accumulated Depreciation	<u>451,429</u>	<u>397,775</u>
Total capital assets being depreciated - net	<u>101,757</u>	<u>155,411</u>
Governmental activities capital assets - net	<u>\$ 101,757</u>	<u>\$ 155,411</u>
Long-term Debt		
Total	<u>\$ 89,706</u>	<u>\$ 56,075</u>

Additional information on the Consortium's long-term debt can be found in Note E on page 13 of this report.

Economic Factors and Budgetary Highlights

The Consortium amended its 2005 budget during the fiscal year to reflect changes in State Grant Award amounts as well as increased costs for health, workers compensation, and general liability insurance. In 2005 the General Fund revenues were in excess over expenditures by \$202,948 and the revenue for the Grants Special Revenue Fund was under expenditures by (\$251,266). Compared to 2004 the figures for the amount the General Fund expenditures exceeded revenues was by \$28,237 and the revenue for the Grants Special Revenue Fund was under expenditures by (\$51,218) in 2004. The results of operation in 2005 showed an improved financial position over 2004 for only the General Fund.

Tri-County Aging Consortium

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2005

As of the end of 2005, the Consortium reported combined ending fund balances in the Grants Special Revenue Fund of \$482,674. That is a decrease of \$144,409 in comparison with the prior year. This decrease is primarily due to two major factors. The Nutrition program budgeted the use of fund balance for operations during the year and actual use amounted to \$17,491 of fund balance. The HCBS Waiver program also used its fund balance for operations during the year to cover the operating administration portion of its budget. The total amount is still undefined as the settlement reconciliation for the contract year ended September 30, 2005 is not complete as of this writing. These depletions are from *fund balances* that were *designated* for use within these programs.

During fiscal year 2005, the fund balance of the Consortium's General Fund increased by \$96,091 over budgetary estimates. This is primarily attributable to cost saving measures implemented in prior periods. During fiscal year 2004 the fund balance of the Consortium's General Fund increased by \$77,526 over the budgetary estimates. This is a favorable increase in 2005 over the prior period.

During fiscal year 2005, general fund expenditures were less than budgetary estimates, resulting in an actual increase in fund balance from the final amended budget amount by \$1,316. For 2004 the actual decrease in fund balance from the final amended budget amount was \$6,881.

In all instances where actual expenditures exceeded appropriations in the final budget, overages were funded through the use of available fund balance and revenues.

Budget to actual comparisons for all other Consortium special revenue funds were generally favorable in varying degrees. Overall the financial position has improved during the year. The largest unavoidable rising cost is due to the increases seen in medical insurance. Other costs that could have a large impact are staff cost of living increases and staff merit increases. In 2005 there were no cost of living increases or merit increases that were awarded to staff in order to keep costs down.

For the following components of the Grants Special Revenue Fund there was a significant increase in the Statement of Grant Award over 2004: Title III-B Services increased \$72,864 with the majority of this attributable to carry over from FY 2004; Title III-C1 Nutrition had an overall decrease of (\$49,804); Title III-C2 State Home Delivered Meals had an overall increase of \$82,047. Title III E Services had an increase in the Statement of Grant Award from 2004 in the amount of \$82,259 of which the majority of this is attributable to carry over from FY 2004. The Senior Refugee Support Project Allocation had a decrease of (\$10,687).

The HCBS Waiver program had revenues of \$6,178,022 and expenses of \$6,270,887 in 2004. This was a net excess of (\$92,865) of expenditures over revenue. In 2005 the HCBS Waiver program had revenues of \$6,290,836 and expenses of \$6,438,523. This was a net excess of (\$147,687) of expenditures over revenue which is an increase of (\$54,822) over the prior year.

Agency's Mission. Tri-County Aging Consortium's mission is to promote and preserve the independence and dignity of the aging population. Community Based services and supports are provided to a wide variety of adults ranging from those that are physically well to those that are physically frail. All services are targeted to those persons in greatest economic and social need with emphasis on low-income individuals, minorities and persons with disabilities.

Future Information

In 2006 the Tri-County Aging Consortium has cuts in Community Services which affected our Annual Contractors by up to 4%. The funding is determined at the Federal and State level and at present no other cuts to services are anticipated. Cuts in our funding, however, could be made at any time, even in mid-year, that would have a significant effect on the Consortium's financial position or operations.

Tri-County Aging Consortium

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2005

Requests for Information

This financial report is designed to provide a general overview of Tri-County Aging Consortium's finances for all those with an interest in the Consortium's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, Tri-County Office on Aging, 5303 South Cedar Street, Lansing, MI 48911.

BASIC FINANCIAL STATEMENTS

Tri-County Aging Consortium

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET

September 30, 2005

	General	Grants Special Revenue	Capital Projects (Capital Campaign)
ASSETS			
Cash and cash equivalents	\$ 705,310	\$ 478,557	\$ 45,041
Investments	435,933	429,521	554,145
Receivables			
Accounts receivable	619	1,368	-
Due from other governmental units	-	228,007	-
Prepays	800	-	-
Cash and cash equivalents - restricted	-	-	76,642
Capital assets, net	-	-	-
TOTAL ASSETS	\$ 1,142,662	\$ 1,137,453	\$ 675,828
LIABILITIES			
Accounts payable	\$ 6,116	\$ 527,444	\$ -
Accrued payroll	4,094	36,675	-
Other accrued liabilities	23,938	78,149	-
Deferred revenue	22,577	12,511	-
Accrued compensated absences	-	-	-
TOTAL LIABILITIES	56,725	654,779	-0-
FUND BALANCES			
Reserved for			
Prepays	800	-	-
Eating better/moving more	-	243	-
Capital campaign	-	-	675,828
Care management	-	41,475	-
Crisis management	-	8,904	-
Friends for life	230,242	-	-
HCBS Waiver	-	347,966	-
Designated for			
Title III-C2 state home delivered meals	-	48,413	-
Unreserved			
Undesignated, reported in			
General fund	854,895	-	-
Special revenue fund	-	35,673	-
TOTAL FUND BALANCES	1,085,937	482,674	675,828
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,142,662	\$ 1,137,453	\$ 675,828
NET ASSETS			
Invested in capital assets			
Restricted for other purposes			
Unrestricted			
TOTAL NET ASSETS			

See accompanying notes to financial statements.

Total Governmental Funds	Adjustments	Statement of Net Assets
\$ 1,228,908	\$ -	\$ 1,228,908
1,419,599	-	1,419,599
1,987	-	1,987
228,007	-	228,007
800	-	800
76,642	-	76,642
-0-	101,757	101,757
<u>\$ 2,955,943</u>	<u>101,757</u>	<u>3,057,700</u>
\$ 533,560	-	533,560
40,769	-	40,769
102,087	-	102,087
35,088	(35,088)	-0-
-0-	89,706	89,706
<u>711,504</u>	<u>54,618</u>	<u>766,122</u>
800	(800)	-0-
243	(243)	-0-
675,828	(675,828)	-0-
41,475	(41,475)	-0-
8,904	(8,904)	-0-
230,242	(230,242)	-0-
347,966	(347,966)	-0-
48,413	(48,413)	-0-
854,895	(854,895)	-0-
35,673	(35,673)	-0-
<u>2,244,439</u>	<u>(2,244,439)</u>	<u>-0-</u>
<u>\$ 2,955,943</u>		
	101,757	101,757
	1,122,829	1,122,829
	<u>1,066,992</u>	<u>1,066,992</u>
	<u>\$ 2,291,578</u>	<u>\$ 2,291,578</u>

Tri-County Aging Consortium

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

September 30, 2005

Total fund balance - governmental funds **\$ 2,244,439**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 553,186	
Accumulated depreciation is	<u>(451,429)</u>	
Capital assets, net		101,757

Long-term receivables are not available to pay for current period expenditures
and are therefore deferred in the funds. These consist of:

Deferred revenue	35,088
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Long-term liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Compensated absences	<u>(89,706)</u>
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Net assets of governmental activities **\$ 2,291,578**

See accompanying notes to financial statements.

Tri-County Aging Consortium

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended September 30, 2005

	General	Grants Special Revenue	Capital Projects (Capital Campaign)
EXPENDITURES/EXPENSES			
Health and welfare	\$ 452,824	\$ 10,191,537	\$ 55,705
PROGRAM REVENUES			
Charges for services	-	498,083	-
Operating grants and contributions	387,630	9,434,989	12,698
TOTAL PROGRAM REVENUES	387,630	9,933,072	12,698
NET PROGRAM EXPENSES	(65,194)	(258,465)	(43,007)
GENERAL REVENUES			
Interest	34,453	7,199	5,202
Municipal appropriations	233,689	-	-
TRANSFERS	(106,857)	106,857	-
TOTAL GENERAL REVENUES AND TRANSFERS	161,285	114,056	5,202
NET CHANGE IN FUND BALANCES	96,091	(144,409)	(37,805)
CHANGE IN NET ASSETS	-	-	-
Fund balances/net assets, beginning of the year	989,846	627,083	713,633
Fund balances/net assets, end of the year	\$ 1,085,937	\$ 482,674	\$ 675,828

See accompanying notes to financial statements.

Total Governmental Funds	Adjustments	Statement of Activities
\$ 10,700,066	\$ 87,285	\$ 10,787,351
498,083	-	498,083
9,835,317	2,722	9,838,039
10,333,400	2,722	10,336,122
(366,666)	(84,563)	(451,229)
46,854	-	46,854
233,689	-	233,689
-0-	-	-0-
280,543	-0-	280,543
(86,123)	86,123	-0-
-0-	(170,686)	(170,686)
2,330,562	131,702	2,462,264
<u>\$ 2,244,439</u>	<u>\$ 47,139</u>	<u>\$ 2,291,578</u>

Tri-County Aging Consortium

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

Year Ended September 30, 2005

Net change in fund balances - total governmental funds	\$ (86,123)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Depreciation expense	(53,654)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	2,722
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in accrued compensated absences	<u>(33,631)</u>
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Change in net assets of governmental activities	<u>\$ (170,686)</u>
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See accompanying notes to financial statements.

Tri-County Aging Consortium
NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Tri-County Aging Consortium (the "Consortium") is the designated Area Agency on Aging (AAA) for Region VI of Michigan (Ingham, Clinton, and Eaton Counties). As an AAA, the Consortium is responsible for regional planning and coordination of services for older people. This designation dates back to April 1974, when the first Area Plan for this region was approved by the State of Michigan Offices of Services to the Aging.

The Consortium began in 1972 when a grant from the State Commission on Aging was awarded to the Lansing Planning Department to conduct a needs survey for Lansing elderly. As a result of this research, the Lansing City Council created a Senior Citizens Department in January 1974. Later that year, the Department secured the necessary two thirds approvals of the Boards of Commissioners of Ingham, Clinton, and Eaton Counties to apply for designation as an Area Agency on Aging under the Older Americans Act.

The Consortium Board, the policy-making body for the agency, was established under the Urban Cooperation Act of 1967. The Consortium's twelve-member board features the combined input and representation from the Lansing Mayor's Office, Lansing City Council, East Lansing City Council, and the Boards of Commissioners of Ingham, Clinton, and Eaton Counties. Each of the governmental bodies contributes local funds which finance a portion of the Consortium's activities. The Consortium then pursues other funding sources to bring tax dollars back into the region for the purpose of providing services to senior citizens.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and Statement on Michigan Governmental Accounting and Auditing No. 5, these financial statements are exclusive presentations of the financial condition and results of operations of the Tri-County Aging Consortium.

2. Basis of Presentation

Combined financial statements are provided for the Governmental Funds Balance Sheet and the Statement of Net Assets and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Statement of Activities. Descriptions of both presentations included in the basic financial statements are as follows:

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the Consortium as a whole.

The statement of activities presents the direct functional expenses of a given function or segment and the program revenues that support them. Direct expenses are specifically associated with a function or segment and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes interest and all County appropriations and shows how governmental functions are either self-financing or supported by the general revenues of the Consortium.

FUND FINANCIAL STATEMENTS

The Consortium uses three funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The governmental fund financial statements present the Consortium's major funds.

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

The major funds of the Consortium are:

- a. General Fund - This fund is the Consortium's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. Grants Special Revenue Fund - This fund reports grant program revenues and expenditures of Federal and State grant monies primarily passed through the Offices on Services to the Aging (OSA).
- c. Capital Projects Fund - This fund accounts for the acquisition of capital assets or construction of major capital projects.

3. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The government-wide financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Revenues for grants and contributions are recognized when all eligibility requirements imposed by the provider have been met.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues susceptible to accrual include state and federal grants and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

The Consortium reports deferred revenue on its governmental fund balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Resources are considered available if they are collected during the current fiscal year or soon enough afterward to be used in payment of current year liabilities - defined as expected to be received within sixty days of year-end. Deferred revenues also arise when the Consortium receives resources before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

4. Measurement Focus

The government-wide statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Tri-County Aging Consortium
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Budgets and Budgetary Accounting

The annual budget of the Consortium is prepared by Consortium management and approved by the Board at the total expenditure level. Any revisions to the original budget are approved by the Board before the end of the fiscal year.

6. Cash and Cash Equivalents

Cash and cash equivalents consist of the Consortium's checking and savings accounts, imprest cash, certificates of deposit, and money market funds.

7. Restricted Cash

Restricted cash consists of an endowment fund held by the Capital Region Community Foundation for building and equipment purchases by the Meals on Wheels program.

8. Investments

Investments consist of the Consortium's holdings in bonds and U.S. Treasury obligations with an original maturity in excess of 90 days.

9. Receivables

Receivables consist of amounts due from governmental units for various financial assistance programs and charges for services, and accounts receivable related to charges for services, interest receivable and other amounts owed to the Consortium at year-end.

10. Interfund Transactions

During the course of normal operations, the Consortium has numerous transactions between funds, including expenditures and transfers of resources to provide services. The accompanying financial statements generally reflect such transactions as operating transfers.

11. Prepays

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenditures/expenses.

12. Capital Assets

Capital assets include equipment, vehicles, and leasehold improvements and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements. Capital assets are those with an initial individual cost of \$5,000 or more, with estimated useful lives of more than two years. Capital assets are not recorded in the governmental funds. Instead, capital acquisitions are reflected as expenditures in the governmental fund, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Leasehold improvements	15 years
Vehicles	6 years
Equipment	10 years

Tri-County Aging Consortium
NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

13. Compensated Absences

The Consortium's policy is to permit employees to accumulate earned but unused vacation time, subject to varying amounts based on length of service. This amount has been recorded in the statement of net assets.

14. Deferred Revenue

Deferred revenue consists of amounts related to long-term assets recorded at the fund level that are not available to finance current period expenditures and are therefore deferred. Since these revenues have been earned, they are not deferred in the government-wide financial statements.

15. Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

16. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since its inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH AND CASH EQUIVALENTS

In accordance with Michigan Compiled Laws, the Consortium is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States Banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Tri-County Aging Consortium

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Corporation or Government National Mortgage Association.

Deposits

The Consortium's bank deposits at September 30, 2005, are composed of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Regular checking	\$ 1,102,351	\$ 1,236,402
Savings and certificates of deposit	<u>175,539</u>	<u>175,539</u>
	<u>\$ 1,277,891</u>	<u>\$ 1,411,941</u>

The cash and cash equivalents reported in the basic financial statements included \$300 in imprest cash.

Bank deposits of the Consortium are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Consortium. As of September 30, 2005, the Consortium's accounts were insured by the FDIC for \$136,657, and the amount of \$1,275,284 was uninsured and uncollateralized.

Investments

As of September 30, 2005, the carrying amounts and market values for each investment are as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Weighted Average Maturity</u>	<u>Moody's Rating</u>
PRIMARY GOVERNMENT				
Insured or registered for which the securities are held by the Consortium's agent in the Consortium's name - Uncategorized				
Federated Institutional Trust	\$ 27,359	\$ 27,359	N/A	Not rated
Federal National Mortgage Association	203,968	203,968	120 months	Aaa
Government National Mortgage Association	183,114	183,114	338 months	Aaa
Federal Home Loan Mortgage Corporation	272,788	272,788	49 months	Aaa
Federal Home Loan Bank Bond	185,868	185,868	53 months	Aaa
U.S. Treasury Notes	<u>573,861</u>	<u>573,861</u>	59 months	Not rated
	<u>\$ 1,446,958</u>	<u>\$ 1,446,958</u>		

The investments are insured and registered with securities held by Linsco/Private Ledger Financial Services, Inc. The maximum insurance for investments with Linsco/Private Ledger Financial Services, Inc. is provided by the Securities Investor Protection Act at \$500,000 each.

The fund manager for the Federated Institutionalized Trust stated that weighted average maturity is not a relevant measure of the liquidity of the Trust and declined to provide this information. The fund manager stated that the average duration (the average length of time a particular investment is held) of the investments in the Trust was approximately 2.4 months.

Tri-County Aging Consortium
NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). Rating information for the Consortium's investments is presented in the preceding table.

Interest rate risk

The Consortium has not adopted a policy that indicates how the Consortium will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to less than a given period of time.

Concentration of credit risk

The Consortium has not adopted a policy that indicates how the Consortium will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Consortium's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk

The Consortium has not adopted a policy that indicates how the Consortium will minimize custodial credit risk, which is the risk that in the event of the failure of the counterparty, the Consortium will not be able to recover the value of its investments of collateral securities that are in possession of an outside party.

NOTE C: CAPITAL ASSETS

The following provides a summary of the changes in capital assets for the year ended September 30, 2005:

	Balance <u>Oct. 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Sept. 30, 2005</u>
Leasehold improvements	\$ 142,677	\$ -	\$ -	\$ 142,677
Vehicles	128,164	-	-	128,164
Equipment	<u>282,345</u>	<u>-</u>	<u>-</u>	<u>282,345</u>
	553,186	-0-	-0-	553,186
Less accumulated depreciation for:				
Leasehold improvements	95,118	9,512	-	104,630
Vehicles	72,612	15,908	-	88,520
Equipment	<u>230,045</u>	<u>28,234</u>	<u>-</u>	<u>258,279</u>
Total accumulated depreciation	<u>397,775</u>	<u>53,654</u>	<u>-0-</u>	<u>451,429</u>
Capital assets, net	<u>\$ 155,411</u>	<u>\$(53,654)</u>	<u>\$ -0-</u>	<u>\$ 101,757</u>

Tri-County Aging Consortium

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE D: INTERFUND TRANSFERS

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfers to Grants Special Revenue Fund from:	
General Fund	\$ <u>106,857</u>

NOTE E: LONG-TERM DEBT

The following is a summary of the changes in long-term debt (including current portion) of the Consortium for the year ended September 30, 2005:

	Balance Oct. 1, 2004	Additions	Deletions	Balance Sept. 30, 2005	Amounts Due Within One Year
Accumulated compensated absences	\$ <u>56,075</u>	\$ <u>33,631</u>	\$ <u>-</u>	\$ <u>89,706</u>	\$ <u>17,941</u>

Accumulated Compensated Absences

In accordance with Consortium personnel policies, individual employees have vested rights upon termination of employment to receive payment for unused vacation under formulas and conditions specified in their personnel policies handbook.

The dollar amount of these vested rights including related payroll taxes, amounted to \$89,706 for vacation leave at September 30, 2005. This amount has been reported as a liability in the government-wide financial statements.

NOTE F: RETIREMENT PLAN

Plan Description

The Consortium participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible full-time employees of the Consortium. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by the Board of Directors. The plan requires no contribution from the employees.

Annual Pension Cost

For the year ended September 30, 2005, the Consortium's annual pension cost of \$188,417 for the plan was equal to the Consortium's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2003, using the entry actual age cost method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases depending on age, seniority and merit, and (d) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five (5) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll contributions over 30 years.

Tri-County Aging Consortium
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

NOTE F: RETIREMENT PLAN - CONTINUED

Three (3) year trend information

	Year Ended December 31,		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Actuarial value of assets	\$ 4,149,575	\$ 4,536,525	\$ 4,870,814
Actuarial accrued liability (AAL) (entry age)	3,759,209	4,164,750	4,445,889
Unfunded AAL	390,366	371,775	424,925
Funded ratio	110 %	109 %	110 %
Covered payroll	1,826,113	1,929,247	2,038,902
UAAL as a percentage of covered payroll	0 %	0 %	0 %

	Year Ended September 30,		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Annual pension cost	\$ 165,424	\$ 192,175	\$ 188,417
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.

NOTE G: RISK MANAGEMENT

The Consortium is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which they carry commercial insurance. During the year ended September 30, 2005, the Consortium has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three years.

NOTE H: NON-CANCELABLE OPERATING LEASE OBLIGATIONS

The Tri-County Aging Consortium has entered into a twenty-year, non-cancelable long-term lease requiring monthly payments of \$13,605 through December 2017. In addition, the Consortium pays monthly operating expenses of \$7,712, which is adjusted annually to reflect the actual cost. The following is a schedule of future minimum lease payments required under this operating lease as of September 30, 2005.

Future minimum payments are as follows:

2006	\$ 163,260
2007	163,260
2008	163,260
2009	163,260
2010	163,260
2011-2015	816,300
2016-2017	<u>204,075</u>
TOTAL PAYMENTS	<u>\$ 1,836,675</u>

Tri-County Aging Consortium
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

NOTE I: FUND EQUITY RESERVES AND DESIGNATIONS

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use. Designated fund balance indicates that portion of fund balance that the Consortium has set aside for specific purposes.

The following are the various fund balance reserves as of September 30, 2005:

General Fund	
Reserved for	
Prepays	\$ 800
Friends for life	<u>230,242</u>
	231,042
Grants Special Revenue Fund	
Reserved for	
Eating better/moving more	243
Care management	41,475
Crisis management	8,904
HCBS Waiver	<u>347,966</u>
	398,588
Capital Projects Fund	
Reserved for	
Capital campaign	<u>675,828</u>
TOTAL REPORTING ENTITY	<u>\$ 1,305,458</u>

The following are the various fund balance designations as of September 30, 2005:

Special Revenue Fund	
Designated for	
Title III-C2 state home delivered meals	<u>\$ 48,413</u>

NOTE J: RESTRICTED NET ASSETS

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of September 30, 2005:

Governmental activities	
Restricted for Other Purposes	
Eating better/moving more	\$ 243
Capital campaign	675,828
Care management	41,475
HCBS/Waiver	347,966
Crisis management	8,904
Nutritional supplemental	<u>48,413</u>
	<u>\$ 1,122,829</u>

Tri-County Aging Consortium

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE K: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the budgetary comparison schedules, the Consortium's budgeted expenditures in the General and Grants Special Revenue Fund have been shown at the functional classification level. The approved budgets of the Consortium have been adopted at the total expenditure level for the General Fund and the Grants Special Revenue Fund.

During the year ended September 30, 2005, the Consortium incurred expenditures in the Grants Special Revenue Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
Grants Special Revenue Fund	\$10,129,082	\$10,191,537	\$ 62,455

NOTE L: POST-EMPLOYMENT HEALTH CARE BENEFITS

In addition to providing pension benefits, the Consortium provides prescription coverage for retired employees. Substantially all of the Consortium's employees may become eligible for these benefits if they worked as a full, three-quarter or part time position at the time of retirement.

The cost of prescription coverage is recognized as an expense as insurance premiums are paid. For the year ended September 30, 2005, those costs totaled \$22,552.

UPCOMING REPORTING CHANGE

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting By Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending September 30, 2009.

REQUIRED SUPPLEMENTARY INFORMATION

Tri-County Aging Consortium

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended September 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental - Federal/State	\$ 2,000	\$ 5,000	\$ 5,000	\$ -0-
Other grants - local sources	320,426	327,601	353,402	25,801
Municipal appropriations				
City of Lansing	79,003	79,166	79,166	-
City of East Lansing	11,120	12,000	17,127	5,127
Ingham County	57,829	56,145	56,145	-0-
Clinton County	31,483	30,566	30,521	(45)
Eaton County	52,252	50,730	50,730	-0-
Interest	17,787	19,932	34,453	14,521
Contributions	3,000	3,000	29,228	26,228
TOTAL REVENUES	574,900	584,140	655,772	71,632
EXPENDITURES				
Health and welfare				
Salaries and wages	214,436	217,815	211,775	6,040
Fringe benefits	65,785	70,394	86,496	(16,102)
Operating expenditures	149,018	142,125	132,513	9,612
Professional services	20,543	21,612	20,149	1,463
Travel and training	2,293	2,194	1,891	303
TOTAL EXPENDITURES	452,075	454,140	452,824	1,316
EXCESS OF REVENUES OVER EXPENDITURES	122,825	130,000	202,948	72,948
OTHER FINANCING (USES)				
Transfers out	(122,825)	(130,000)	(106,857)	23,143
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING (USES)	-0-	-0-	96,091	96,091
Fund balance, beginning of year	989,846	989,846	989,846	-0-
Fund balance, end of year	<u>\$ 989,846</u>	<u>\$ 989,846</u>	<u>\$ 1,085,937</u>	<u>\$ 96,091</u>

Tri-County Aging Consortium
Grants Special Revenue Fund
BUDGETARY COMPARISON SCHEDULE
Year Ended September 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Charges for services	\$ 508,949	\$ 508,949	\$ 498,083	\$ (10,866)
Intergovernmental - Federal/State	9,303,493	9,411,291	9,371,807	(39,484)
Other grants - local sources	47,952	47,952	46,592	(1,360)
Interest	9,000	9,000	7,199	(1,801)
Contributions	21,890	21,890	16,590	(5,300)
TOTAL REVENUES	9,891,284	9,999,082	9,940,271	(58,811)
EXPENDITURES				
Health and welfare				
Salaries and wages	1,891,325	1,847,297	1,911,625	(64,328)
Fringe benefits	670,215	696,615	659,876	36,739
Operating expenditures	1,367,829	1,373,443	1,437,424	(63,981)
Professional services	13,950	13,950	12,018	1,932
Subcontractor expenditures	5,982,261	6,101,173	6,060,493	40,680
Travel and training	88,529	96,604	110,101	(13,497)
TOTAL EXPENDITURES	10,014,109	10,129,082	10,191,537	(62,455)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(122,825)	(130,000)	(251,266)	(121,266)
OTHER FINANCING SOURCES				
Transfers in	122,825	130,000	106,857	(23,143)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) EXPENDITURES	-0-	-0-	(144,409)	(144,409)
Fund balance, beginning of year	627,083	627,083	627,083	-0-
Fund balance, end of year	<u>\$ 627,083</u>	<u>\$ 627,083</u>	<u>\$ 482,674</u>	<u>\$ (144,409)</u>



OTHER SUPPLEMENTARY INFORMATION

Tri-County Aging Consortium

Grants Special Revenue Fund

COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND OTHER FINANCING SOURCES

Year Ended September 30, 2005

	Title III Administrative	Title III-B Services	Title III-C1 Nutrition
REVENUES			
Charges for services	\$ -	\$ 2,370	\$ 152,874
Intergovernmental - Federal/State	142,515	378,492	448,392
Other grants - local sources	-	-	-
Interest	-	-	-
Contributions	-	-	-
TOTAL REVENUES	142,515	380,862	601,266
EXPENDITURES			
Health and welfare			
Salaries and wages	85,207	93,553	172,432
Fringe benefits	33,595	33,596	57,243
Operating expenditures	19,061	4,395	360,612
Professional services	3,696	-	1,219
Subcontractor expenditures	-	249,318	5,828
Travel and training	956	-	11,236
TOTAL EXPENDITURES	142,515	380,862	608,570
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	-0-	(7,304)
OTHER FINANCING SOURCES			
Transfers in	-	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	\$ -0-	\$ -0-	\$ (7,304)

Title III-C2 State Home Delivered Meals	Title III-D Services	BCBS-Fall Prevention	Crisis Management	Elder Abuse Prevention	HCBS Waiver
\$ 332,786	\$ 458	\$ -	\$ -	\$ -	\$ -
1,035,812	26,092	-	-	5,944	6,285,174
37,146	-	-	-	-	-
1,156	-	-	381	-	5,662
3,885	-	-	10,332	-	-
1,410,785	26,550	-0-	10,713	5,944	6,290,836
487,814	-	-	-	-	889,244
187,385	-	-	-	-	287,595
748,273	-	-	59	-	212,093
2,513	-	-	-	-	3,857
-	26,550	1,570	17,144	5,944	5,027,709
76,264	-	-	-	-	18,025
1,502,249	26,550	1,570	17,203	5,944	6,438,523
(91,464)	-0-	(1,570)	(6,490)	-0-	(147,687)
95,000	-	-	-	-	-
\$ 3,536	\$ -0-	\$ (1,570)	\$ (6,490)	\$ -0-	\$ (147,687)

Tri-County Aging Consortium

Grants Special Revenue Fund

COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND OTHER FINANCING SOURCES - CONTINUED

Year Ended September 30, 2005

	Senior Center Staffing	Alternative Care	Care Management
REVENUES			
Charges for services	\$ -	\$ -	\$ -
Intergovernmental - Federal/State	37,803	146,237	256,304
Other grants - local sources	-	-	2,352
Interest	-	-	-
Contributions	-	-	2,373
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	37,803	146,237	261,029
EXPENDITURES			
Health and welfare			
Salaries and wages	-	-	114,068
Fringe benefits	-	-	36,539
Operating expenditures	-	-	72,794
Professional services	-	-	733
Subcontractor expenditures	37,803	146,237	41,922
Travel and training	-	-	2,104
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	37,803	146,237	268,160
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	-0-	(7,131)
OTHER FINANCING SOURCES			
Transfers in	-	-	11,857
	<hr/>	<hr/>	<hr/>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 4,726</u>

Respite	Medicare/ Medicaid Assistance	Title III E Services	Senior Refugee Project	State In-Home Care	State Access Service
\$ 8,387	\$ -	\$ 1,208	\$ -	\$ -	\$ -
219,055	28,604	198,076	24,912	106,174	32,221
-	7,080	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
227,442	35,684	199,284	24,912	106,174	32,221
-	16,939	23,841	5,940	-	22,587
-	4,748	7,691	1,850	-	9,634
13,103	2,121	4,884	24	-	-
-	-	-	-	-	-
214,339	-	162,868	17,087	106,174	-
-	1,505	-	11	-	-
227,442	25,313	199,284	24,912	106,174	32,221
-0-	10,371	-0-	-0-	-0-	-0-
-	-	-	-	-	-
\$ -0-	\$ 10,371	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Tri-County Aging Consortium

Grants Special Revenue Fund

COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND OTHER FINANCING SOURCES - CONTINUED

Year Ended September 30, 2005

	Eating Better Moving More	Total
REVENUES		
Charges for services	\$ -	\$ 498,083
Intergovernmental - Federal/State	-	9,371,807
Other grants - local sources	14	46,592
Interest	-	7,199
Contributions	-	16,590
TOTAL REVENUES	14	9,940,271
EXPENDITURES		
Health and welfare		
Salaries and wages	-	1,911,625
Fringe benefits	-	659,876
Operating expenditures	5	1,437,424
Professional services	-	12,018
Subcontractor expenditures	-	6,060,493
Travel and training	-	110,101
TOTAL EXPENDITURES	5	10,191,537
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	9	(251,266)
OTHER FINANCING SOURCES		
Transfers in	-	106,857
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	\$ 9	\$ (144,409)

Tri-County Aging Consortium

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2005

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Revenues</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE Passed through Michigan Office of Services to the Aging Title IIIC Food Donation	10.550	\$ 216,191	\$ 216,191
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES Passed through Michigan Office of Services to the Aging Title VII Elder Abuse Prevention	93.041	5,944	5,944
Title IIID In-Home Services	93.043	26,092	26,092
Aging Cluster			
Title III Area Agency Administration	93.044	121,808	121,808
Title IIIB Support Services		378,492	378,492
Title IIIC			
Congregate Meals		351,130	351,130
Home Delivered Meals		<u>220,829</u>	<u>220,829</u>
Total Aging Cluster		1,104,295	1,104,295
Title IIIE Services	93.052	198,076	198,076
Michigan Senior Refugee Project	93.576	24,912	24,912
Medicare/Medicaid Assistance Program	93.779	<u>28,604</u>	<u>28,604</u>
Total passed through Michigan Office of Services to the Aging		1,355,887	1,355,887
Passed through Michigan Department of Community Health HCBS/ED - Waiver ^(a)	93.778	<u>3,795,368</u>	<u>3,795,368</u>
TOTAL FEDERAL AWARD EXPENDITURES		\$ <u>5,367,446</u>	\$ <u>5,367,446</u>

Tri-County Aging Consortium

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2005

NOTE A: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the Tri-County Aging Consortium and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*.

NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE

The following descriptions identified below as (a) - (b) represent explanations that cross reference to amounts on the Schedule of Expenditures of Federal Awards:

- (a) Denotes program tested as "major program".
- (b) The following reconciles the federal revenues reported in the September 30, 2005, fund financial statements to the expenditures of the Consortium administered federal programs reported on the Schedule of Expenditures of Federal Awards:

Federal/State Revenue (per financial statements)	
General Fund	\$ 5,000
Grants Special Revenue Fund	<u>9,371,807</u>
	9,376,807
<u>Less: Portions of grant funding considered "State" funding</u>	<u>(4,009,361)</u>
	<u>\$ 5,367,446</u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Tri-County Aging Consortium
Lansing, Michigan

We have audited the financial statements of the governmental activities and each major fund of the Tri-County Aging Consortium as of and for the year ended September 30, 2005, which collectively comprise the Consortium's basic financial statements and have issued our report thereon dated January 27, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Tri-County Aging Consortium internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Tri-County Aging Consortium financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

We noted certain matters that we have reported to management of the Consortium in a separate letter dated January 27, 2006.

This report is intended for the information and use of the Board of Directors and management, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

January 27, 2006

East Lansing ■ Rochester Hills ■ St. Johns

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Tri-County Aging Consortium
Lansing, Michigan

Compliance

We have audited the compliance of the Tri-County Aging Consortium with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major Federal program for the year ended September 30, 2005. The Tri-County Aging Consortium major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major Federal program is the responsibility of the Tri-County Aging Consortium management. Our responsibility is to express an opinion on the Tri-County Aging Consortium's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the Tri-County Aging Consortium's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Tri-County Aging Consortium's compliance with those requirements.

In our opinion, the Tri-County Aging Consortium complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended September 30, 2005.

Internal Control Over Compliance

The management of the Tri-County Aging Consortium is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Tri-County Aging Consortium's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one (1) or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the Board of Directors and management, Federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

January 27, 2006

Tri-County Aging Consortium
SCHEDULE OF FINDINGS
Year Ended September 30, 2005

SUMMARY OF AUDITOR'S RESULTS

An unqualified opinion was issued on the basic financial statements of the Tri-County Aging Consortium.

There were no reportable conditions disclosed by the audit of the basic financial statements.

We noted no instances of noncompliance with laws, regulations, contracts, and grants that could have a direct and material effect on the basic financial statements.

An unqualified opinion was issued on compliance for major programs. We disclosed no findings regarding internal controls or compliance related to the major programs tested.

The major program tested to cover 25 percent of the total Federal expenditures was the HCBS/ED Waiver (CFDA 93.778) program. Total Federal expenditures for the year ended September 30, 2005, for the major program were \$3,795,368, which is approximately 71 percent of the total Federal Award expenditures. The Consortium qualified as a low risk auditee.

The dollar threshold for Type A programs of the Tri-County Aging Consortium was \$300,000. The Consortium had two (2) programs that qualified as Type A (HCBS/ED Waiver and the Aging Cluster). Programs of less than \$300,000 were determined to be Type B programs.

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Control Over the Financial Statements.

None

Findings Related to Compliance with Requirements Applicable to the Financial Statements.

None

Findings Related to Compliance with Requirements to the Major Programs and Internal Control Over Compliance in Accordance with OMB Circular A-133.

None

Tri-County Aging Consortium

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Year Ended September 30, 2005

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Controls Over the Financial Statements.

No prior reportable conditions

Findings Related to Compliance with Requirements Applicable to the Financial Statements.

No prior audit findings

Findings Related to Compliance with Requirements Applicable to Federal Awards and Internal Control Over Compliance in Accordance with OMB Circular A-133.

No prior audit findings

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MANAGEMENT LETTER

To the Board of Directors
Tri-County Aging Consortium
Lansing, Michigan

Ladies/Gentlemen:

As you know, we have recently completed our audit of the Tri-County Aging Consortium's records for the year ended September 30, 2005. In connection with the audit, we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the systems. These suggestions are a result of our evaluation of the internal controls and our discussions with management.

1. Budgets should be monitored and amended when necessary.

As noted in the financial statements, some of the activities of the Consortium exceeded the amounts appropriated. The variances noted were in the Grants Special Revenue Fund.

The Michigan Public Act 621 of 1978, as amended, provides that the Consortium adopt formal budgets for all applicable General and Grants Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

We suggest the Consortium monitor expenditures against adopted budgets and make appropriate budget amendments as needed.

2. The Consortium should obtain required documentation from program service providers.

During the course of our audit, we noted that contractors are required to annually submit proof of workers compensation and liability insurance for the Consortium's Waiver program. However, we noted during our testing that the period covered by the proof of insurance in the contractor's file had expired approximately two (2) months earlier for one (1) out of five (5) files reviewed.

We suggest the Consortium review provider files periodically to determine that current proof of insurance is on file.

3. The Board should amend the Consortium's investment policy to address the disclosure requirements of GASB Statement No. 40.

During the course of our audit and through discussions with management, it was noted that the Consortium has not amended their investment policy to address the reporting requirements of GASB Statement No. 40. Deposit and investment resources often represent significant assets of the Consortium's funds. These resources are necessary for the delivery of the Consortium's services programs, or to carry out its fiduciary responsibilities. Effective for the year ended September 30, 2005, GASB Statement No. 40 is designed to inform financial statement users about deposit and investment risks that could affect the Consortium's ability to provide services and meet its obligations as they become due.

We suggest the Board review their current investment policy and make the necessary amendments to address custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk, if applicable. Such policies are required to be disclosed in the notes to the Consortium's financial statements by GASB Statement No. 40. East Lansing ■ Rochester Hills ■ St. Johns

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements, and this report does not affect our report on the financial statements dated January 27, 2006.

This report is intended solely for the information of the Board of Directors of the Tri-County Aging Consortium and is not intended to be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these conditions with you and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

January 27, 2006